

TPA states that its new proposal "provides the Texas Legislature with an opportunity to confirm its recognition of payphone service as truly competitive, thus allowing a 50 cent cap to go into operation in April 1997, with regulation below the cap to occur through the competitive marketplace."

First, this statement defies logic. How can one call a service competitive and then use that statement to justify a 100 percent rate increase? We could provide this Commission with numerous newspaper articles, paid advertisements, testimony, and the like offered by proponents of HB 2128 in which they crowed about the benefits that telecommunications competition will bring consumers, including lower prices. Not once did a legislator stand up and say, "I support HB 2128 because it will increase rates 100 percent!" If the firms in the payphone industry were truly competitive those firms would not come to the Commission in lockstep asking for the same 100 percent rate increase.

The payphone industry is not competitive for the end user's dollar. It is ridiculous to think that a consumer can leave the terminal at DFW Airport to find a more competitively priced payphone. If one provider has the monopoly on payphones at DFW why wouldn't that provider make the decision to maximize profits and charge the highest amount allowed under any cap set by the PUC? In economic terms, that is the rational decision for a firm in a monopoly position. Every airport, arena, ballpark convention center, etc., in Texas would do the same. This Commission must recognize that whatever rate it sets as a cap will be the local coin rate on every payphone in Texas. Today only convenience stores, airports, etc., benefit from the "competition" in the payphone industry. A rate cap on commissions paid to location providers might result in some real competitive choice for the end user--a rate increase does not.

An article on the payphone industry and operator service providers which appeared last year in the *Wall Street Journal* sums up the situation⁵:

⁵ "Costly Talk. Why Pay-Phone Calls Can Get So Expensive and Spark Complaints," Daniel Pearl, *The Wall Street Journal*, Tuesday, May 30, 1995, p. A1.

When you are selling some of the country's most expensive telephone service, it helps if customers don't care what you charge.

Cynthia Whiting, a marketer for Oncor Communications, Inc., is pursuing a Cleveland Laundromat owner named Nick. If he will choose Oncor as the long-distance carrier for the Laundromat's pay phone, she promises him \$50 up front plus monthly commission checks. Oncor also will pay the local phone company's switching charge and give him 20 minutes of free long-distance calls.

In the strange world of pay phones, Nick is the customer, and the person doing the dialing is merely an "end user." Like most of Ms. Whiting's customers, Nick says yes without asking how much the end user will pay.

Second, the TPA is asking the PUC to allow a 50 cent rate to go into effect unless the Legislature acts by April 1, 1997 and reverses or otherwise modifies that decision. The Legislature has already sent the message that a 50 cent rate is unacceptable. As the Commission will recall, a 50 cent local coin rate was provided for in HB 2128 until it was deleted in an amendment sponsored by Senator Rodney Ellis in the Senate Economic Development Committee. The Legislature has already told the Commission to use facts, good judgment and its duty to protect the public interest in setting a local coin cap.

7. TPA's "public service" proposal does not justify, nor moderate the impact of, a rate increase.

The TPA proposal defines certain locations as "public service" locations and proposes to set a local coin cap of 25 cents at payphones in those locations. The TPA "public service" proposal does little if anything for those Texans with the least ability to pay for phone service.

The TPA proposal does not include a requirement that phones must be placed at the defined list of public service locations. Therefore the profit-seeking payphone provider will have no incentive to provide service at the listed locations, but rather will provide phones nearby where a higher charge is permissible. If this Commission is to endorse a proposal to raise rates on most payphones while maintaining lower rates on a few payphones, it should at least be assured that many "public service" payphones will be

available in a variety of locations. No such assurance is given by the TPA proposal and indeed, we expect that TPA and the LECs would strenuously object to this Commission attempting to impose any such requirement on the payphone industry.

Texans who rely on payphones as their primary phone are not clustered around the so-called public service locations defined by TPA. Lower income families live in non-subsidized housing, they are not restricted in where they work and shop, they use private as well as public health care, etc. We appreciate TPA's attempt to mitigate the impact of a 100 percent rate increase on those customers who can least afford it. However, TPA's "public service" proposal provides no real public benefit.

Although the comment period is over, we respectfully request the Commission to consider these comments submitted in reply to other comments filed after the October 19 deadline. Consumers Union requests the opportunity to address the Commission at its final order meeting on this project if any other party is given the opportunity to address the Commission.

PUC staff urges keeping 25-cent cap on pay calls

DALLAS MORNING NEWS

By Richard A. Oppel Jr.

Austin Bureau of The Dallas Morning News

AUSTIN — The staff of the Texas Public Utility Commission on Wednesday recommended keeping a 25-cent cap on what can be charged for a coin-paid local call.

The recommendation came after the state's pay phone owners — who want to charge up to 50 cents — filed papers at the PUC that they say show they need the increase for financial reasons. Otherwise, Texas consumers could see tens of thousands of the state's more than 150,000 pay phones removed, the owners say.

However, the PUC staff said it disagrees that an increase is warranted, basing its decision on a review of data filed with the PUC as well as the commission's and the Legislature's acknowledgement that universal service should be available to all citizens of Texas at reasonable rates.

The 25-cent cap would apply to local calls made with coins only. Local calls made with credit cards or operator assistance can still be much more expensive. The staff also recommended imposing a cap on calls from prison pay phones made using operator assistance or a credit card.

The three commissioners will debate the matter at their Feb. 7 meeting.

Pay phones owners said Wednesday that if the commissioners adopt the staff's recommendations, many less profitable phones will be pulled.

"These will be phones in low-income areas and phones in public service areas," said Albert Mokry, president of Dallas-based U.S. Telecoin Corp., which has about 2,000 pay phones in Texas. "The very people they're trying to protect are the people going to be the most harmed by this."

Mr. Mokry added that there haven't been any numbers submitted to the PUC that disprove the owners' need for an increase.

Southwestern Bell, which owns 78,000 Texas pay phones, or about half the state's total, has said that although its overall pay phone business is profitable, many individual phones aren't. Bell officials also say they need the cap raised now because they fear they will continue to lose long-distance revenue.

Meanwhile, consumer advocates cheered the staff's recommendation Wednesday. "We know the PUC staff spent a lot of time looking at the cost information," said Janice Briscoe,

concluded the same thing we did: The numbers just don't support the request for a 50-cent rate."

Last year, Commissioner Robert Gee said pay phone owners would "have to make a very compelling case to me, both for cost and for public policy reasons," before he would consider raising the cap.

Pay phone rate jump rejected

■ Commission puts 50-cent calls on hold, but keeps the line open

By BRUCE HIGHT AUSTIN AMERICAN STATESMAN
American-Statesman Staff

FEB 08 1996

The Public Utility Commission refused Wednesday to let pay phone owners charge twice as much — up to 50 cents — for a local call. But three commissioners indicated they were willing to study the issue further.

Pay phone owners now charge 25 cents for local calls. But the industry says it needs to charge more to offset greater use of 800 calls and expanded local calling areas, both of which cut into long-distance income from pay phones.

Pat Wood, the PUC chairman, said the "burden of proof has not been met" by the industry to raise rates, and Commissioner Judy Walsh agreed, saying, "I don't think the cost studies that were filed were persuasive."

Commissioner Bob Gee questioned whether a provision of the new federal telecommunications law might nullify state authority over pay phones and suggested that the Federal Communications Commission be contacted for an opinion.

The commissioners agreed to find out what the

new law says and to consider whether it should open a rate case.

They were acting Wednesday on some proposed rules for the pay phone industry as a result of legislative action last year. The Legislature gave the commission limited regulatory authority over the industry because of complaints of price gouging on services such as long-distance and credit card calls.

Among other changes, the new rules would force the industry to register its pay phones with the commission, making it easier to track complaints. The Legislature left to the commission the question of whether owners can charge more for local calls. The industry had hoped to get a raise under the new rules.

In Texas there are about 154,000 pay phones, of which about 86,000 are owned by Southwestern Bell Telephone Inc., 30,000 by GTE Southwest Inc. and the rest by independent companies. They take in about \$150 million a year.

Southwestern Bell told the commission it removed more than 6,000 pay phones over the past two years because they were uneconomical. The company said it might remove as many as 30,000 more phones if it were not allowed to raise rates.

But Eddie Reeves, a Southwest-

ern Bell spokesman, said he knew of no immediate plans to shut down pay phones as a result of the commission's decision Wednesday.

Dave Madden, a spokesman for the Texas Payphone Association, said some phones could be removed, but he did not know where

or when.

Janee Briesemeister, a spokeswoman for Consumers Union, said she was glad the commission had not raised the charge for local calls, but said she remained concerned.

It is unclear how much jurisdiction the commission has over pay phone companies, she said, which means that, to determine if an increase is merited, the commission might have to rely only on whatever financial information the phone owners want to provide.

Nor, she said, is it clear that the commission could order companies to keep certain pay phones open even if it did grant an increase.

No SMALL CHANGE

Pay phone owners seek 50-cent cap on local calls

By Richard A. Oppel Jr.
Austin Bureau of The Dallas Morning News

Texas pay phone owners say they need to charge up to 50 cents for local calls, but interviews and documents suggest the biggest — Southwestern Bell — may be making healthy profits right now, while smaller operators say they are struggling.

The pay phone owners, who range from mom-and-pop operators to giants Bell and GTE, say inflation and declining revenue from long-distance calls have hurt profits.

Bell may be making as much as a 20 percent profit margin on its average pay phone, a higher rate than the company as a whole, according to calculations based on documents filed with state regulators.

The company says it could yank up to 35 percent of its 78,000 Texas pay phones if regulators don't raise the cap on local-call charges from 25 cents to 50 cents. No other state allows initial 50 cent charges, according to a 1995 survey by the National Association of Regulatory Utility Commissioners.

Bell officials say their pay phone business is profitable overall but add that some individual phones either aren't profitable or don't make enough money to justify their existence.

"There is no question that the business as a whole is somewhat profitable," said Curtis Hopfinger, a Bell regulatory official. He declined to confirm estimates of Bell's pay phone profits. The company pulls in more than \$130 million annually from its Texas pay phones, according to calculations based on the company's regulatory filings. A calculation that shows the monthly revenue from the average Bell pay phone topped \$140 "makes sense," Mr. Hopfinger said. Please see PAY on Page 10D.

The Texas Public Utility Commission could debate the request for an increase as soon as its Feb. 7 meeting.

However, the PUC staff doesn't think an increase is warranted, according to a person familiar with the situation. The staff is expected to stick to an earlier recommendation to keep the cap at 25 cents when they file comments Wednesday, in large part because they found no convincing financial reason for an increase.

Anybody can get into the pay phone business in Texas, but Bell remains the dominant owner, operating about half of the estimated more than 150,000 public pay phones in the state.

The remaining phones are owned by GTE, the state's second-largest local phone company; smaller local-phone monopolies; and private companies. In all, the industry probably generates annual revenue of nearly \$200 million in Texas.

The smaller, independent companies — which range from people running home-based businesses to Jacksonville-based Cherokee Communications, with more than 4,000 Texas phones — say their situation is the most dire.

The independents, with more than 35,000 phones, say the long-distance companies' aggressive marketing of "dial-around" service has been crushing. Dial-around allows callers to bypass the pay phones' operator service.

"We have some vendors who are going to go out of business if something's not done," said David Madden, an official with the Texas Payphone Association, which represents small operators.

But consumer advocates say state regulators should look out for consumers, not subsidize financially weak businesses.

"We don't want to drive anybody out of business," said Janee Briesemeister of Consumers Union. "But if you set a rate that supports the least efficient operators, you allow some operators to make windfall profits and you don't provide the public with the kind of protection they need."

GTE turns a profit on its Texas pay phones, company officials say, even though the company's regulatory filings indicate its typical phone has 24 percent fewer coin calls per month than the average Bell phone.

GTE officials say Texas is one of their worst states, in part because so many of their pay phones are spread across rural areas. Some industry experts say GTE's expenses per phone are probably higher than Bell's because it has only one-tenth as many phones and because of its more rural territory.

"It's a really politically sensitive item, and it's really a shame it is," said Bob Caffee, product

manager for public communications for GTE Telephone Operations, referring to the request to charge more than 25 cents. Texas "is not a very profitable state for us," he said, adding that his company has already pulled out hundreds of uneconomic phones.

It's difficult to get a clear picture of pay phone profitability. Much of the financial data supplied by the companies to the Texas Public Utility Commission is incomplete. For example, documents fail to detail actual profits and losses, and ignore some sources of revenue.

Consumer advocates say the pay phone owners have failed to demonstrate that they need an increase. Moreover, they say, boosting pay phone rates would hurt many low-income people who don't have phones at home.

Calculating revenue

Phone booth revenue primarily comes from coin calls and credit card, collect or other operator-assisted calls. Although most calls are coin-paid, the operator-assisted and noncoin calls bring in more money from a typical call.

Using documents supplied by the phone companies to state regulators, calculations show that the average Bell pay phone takes in more than \$140 per month.

Bell's documents show its average pay phone has about 377 coin calls per month, earning at least \$94.25. Coin calls generate about 93 percent of Bell's local calls, the company's filings say, so local calls probably generate about \$100 per phone or more, because noncoin calls are more expensive.

Bell also says in its filings that other calls generate more than 30 percent of the average phone's monthly revenue. That would make the average more than \$140 monthly.

Bell's filings don't say how much of that is spent covering expenses. But GTE says it costs \$113.43 each month to operate its average phone, including overhead, income taxes, operating expenses and capital costs.

If Bell's costs are somewhat similar, it could be making a 20 percent profit margin on its average pay phone — a higher margin than SBC Communications Inc., its San Antonio-based parent, which reported 1995 profit from operations of \$1.87 billion on revenue of \$12.7 billion.

Bell's Mr. Hopfinger said the calculation of Bell's pay phone revenue "makes sense," though he couldn't confirm the numbers. He also said the expenses listed by GTE "look reasonable," but he couldn't say how they compare with Bell's.

All the pay phone owners say their biggest worry is a continued decline in revenue from

noncoin calls.

"We had been making enough in long-distance calls to offset our losses in local calling, but most of that luxury has been taken away," Mr. Madden said.

However, during a time when owners say the industry has suddenly become tougher, the number of private pay phones has held steady. In fact, according to records obtained from the Public Utility Commission, the number of private pay phones in Texas rose to 37,428 during the two-year period of 1993-1994, up from 29,362 in 1992-1993, the most recent year-to-year figures the PUC said it had available.

Mr. Madden said many failing pay phone owners are being replaced by neophytes who don't understand how bad things are. "They don't know what they are getting into," he said.

Ms. Briesemeister said the independent pay phone operators haven't shown they're less profitable than Bell. She pointed out that the Texas Payphone Association, Bell and GTE each filed documents that contend that their cost of providing an average local call is about 39 to 40 cents, suggesting their economics are similar. [Those numbers don't account for revenue from long-distance calls, however, so they don't measure whether a certain phone is actually making a profit or losing money.]

The 1-800 option

Bell said it may consider charging 25 cents for toll-free 1-800 calls from pay phones if it can't get a rate increase. That's "something we may have to evaluate if we can't increase the local" rate cap, Bell's Mr. Hopfinger said.

But help may arrive with the pending federal telecommunications legislation. The bill, which Congress may vote on this week, would require pay phone owners to be "fairly compensated for each and every completed [in-state] and interstate call using their pay phone."

The legislation may benefit Bell more than other pay phone operators. It would set the stage for Bell and the six other regional Bell operating companies to offer long-distance service. Analysts have estimated that the Baby Bells could win 30 percent of the long-distance market in the first two years.

If Southwestern Bell were to grab significant market share, its pay phones — and competing pay phones — would be used often to make long-distance calls with Bell's long-distance service, thus reversing, at least in part, the lost revenue from dial-around service to other long-distance carriers.

"Hopefully, we can turn some around at that point," said Mr. Hopfinger.

ANOTHER QUARTER, PLEASE

Texas regulators are trying to decide whether to allow pay phone owners to boost the maximum charge for local coin calls to 50 cents. If the cap remains at 25 cents, Texas pay phone owners say their profitability will be hurt and they will be forced to yank tens of thousands of phones. Here are some facts and figures about pay phones in Texas and throughout the United States.

WHO OWNS THE PAY PHONES?

There are estimated to be more than 150,000 pay phones in Texas that generate about \$200 million a year in revenue.

Other local phone monopolies:
About 30,000

Southwestern Bell*: 78,000

Independents**:
More than 35,000

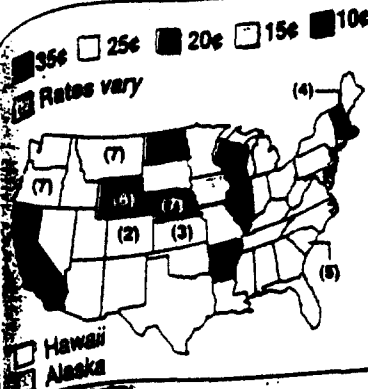
GTE: 7,000

Bell also has 8,000 semi-public phones that small businesses can use as their primary line. Companies that do not own local phone exchanges.



IN OTHER STATES

Only a handful of states allow pay phone charges of more than 25 cents, and none allow 50 cents for initial charges on local calls. Here is a state-by-state look at the maximum that phone companies are allowed to charge people when they begin a call.***



- 1) 35 cents in Texas; 50 cents in California; 50 cents in Nevada; 50 cents in Arizona; 50 cents in New Mexico; 50 cents in Colorado; 50 cents in Utah; 50 cents in Idaho; 50 cents in Montana; 50 cents in Wyoming; 50 cents in North Dakota; 50 cents in South Dakota; 50 cents in Nebraska; 50 cents in Kansas; 50 cents in Oklahoma; 50 cents in Missouri; 50 cents in Arkansas; 50 cents in Louisiana; 50 cents in Mississippi; 50 cents in Alabama; 50 cents in Georgia; 50 cents in Florida; 50 cents in South Carolina; 50 cents in North Carolina; 50 cents in Virginia; 50 cents in West Virginia; 50 cents in Maryland; 50 cents in Delaware; 50 cents in Pennsylvania; 50 cents in New Jersey; 50 cents in New York; 50 cents in Connecticut; 50 cents in Rhode Island; 50 cents in Massachusetts; 50 cents in Vermont; 50 cents in New Hampshire; 50 cents in Maine; 50 cents in New Brunswick; 50 cents in Nova Scotia; 50 cents in Prince Edward Island; 50 cents in Newfoundland; 50 cents in Labrador; 50 cents in Yukon; 50 cents in Northwest Territories; 50 cents in Nunavut.
- 2) Pay phone industry deregulated.
- 3) Only on dial-tone-first coin phones; 10 cents on other coin phones.
- 4) Net charges 10 cents for the first five minutes and 5 cents for each additional three minutes.
- 5) Ten cents at nursing homes, public elementary and secondary schools, city, county and state hospitals, Veterans Administration Hospital and government-owned low-income housing projects.
- 6) 25 cents at public schools.
- 7) Independent pay phone operators are not regulated.

BELL'S PAY PHONE REVENUE

A typical Southwestern Bell pay phone brought in more than \$140 a month last year. The breakdown:

| | |
|------------------------------|----------------|
| Local calls | At least \$100 |
| Long-distance or other calls | At least \$40 |

SOURCES: Texas Payphone Association; company filings; Texas Public Utility Commission; calculations based on filings with the Texas Public Utility Commission.

*** Based on a 1995 survey by the National Association of Regulatory Utility Commissioners.

Pay phone hike won't pay

AUSTIN AMERICAN STATESMAN

JAN 15 1986

People who rely on pay phones would have been hard hit by a proposal to raise local pay phone calls from 25 cents to 50 cents. A new proposal that would raise costs to 35 cents through 1996 is not any better.

The Public Utility Commission, which regulates the telephone industry, should view the request by the Texas Payphone Association with the same coolness it reserved for the earlier proposal.

The new proposal eventually would raise calls to 50 cents in 1997 but would exempt pay phones in public places such as schools, libraries, parks and nursing homes and in housing and office buildings operated by the government.

The commission is scheduled to rule on the issue on Feb. 7.

Critics have complained that poor people who rely on pay phones for daily calls would be penalized by the cost increase. A significant percentage of pay phone revenue is generated in low-income communities in which fewer people have constant phone service.

A study by the LBJ School of Public Affairs found that 85 percent of phoneless Texans had monthly incomes of less than \$1,200. Most surveyed said they didn't have a phone because of

fear of expensive long-distance calls; the remainder simply couldn't afford a phone.

Ironically, the public has not weighed in on the issue. But the utility commission has received letters from legislators questioning the proposed increase in light of stable local and long-distance calling rates.

The issue that must be addressed, however, is why the association can afford to forgo a 50-cent increase in 1996 when rep-

resentatives earlier said the increase was necessary to offset lost revenues. The association says an average member loses 14 cents a call with no return on the investment and depreciation.

At the heart of the debate is how much money phone companies are making and whether they need the increase to

offset competition in other areas. To some extent, only industry officials can truly answer that question.

Nonetheless, the commission's job is to ensure that consumers are protected. Poor people, the bulk of pay phone users, would fare no better under this proposal than under the earlier one.

Whether they pay 35 cents now and 50 cents later or some phones are exempt, it still adds up to the same thing. They're being asked to pay more.

Poor people, the bulk of pay phone users, would fare no better under this proposal than the earlier one.

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Pay-phone penalties

Pay-phone owners' request to charge up to 50 cents for a local call hurts those who are at the bottom of the income pyramid.

Representatives of the owners, including Southwestern Bell, say the companies cannot afford to charge 25 cents for a call that costs them 47 cents. Only pay-phone owners know the true costs associated with operating the phones, and certainly they have a right to make a profit. Research varies on the effect an increase would have on poor people.

It appears unnecessarily punitive, however, to expect poor people who rely on pay phones to pay \$1 for two phone calls. The big money-making pay phones — by owners' admission — are in low-income areas and near housing projects.

Like rules to regulate check-cashing businesses and mediate higher-than-average insurance rates in minority and low-income communities, the pay-phone issue is one of income discrimination and should be treated accordingly by the Public Utility Commission. The state regulatory agency must act

on the pay-phone owners' request by March 19.

A study by the LBJ School of Public Affairs found that 85 percent of phoneless Texans had monthly incomes of less than \$1,200. Most surveyed said they didn't have a phone because of fear

of expensive long-distance calls; the remainder simply couldn't afford a phone.

After being saddled with regulations in the last legislative session, including a long-distance rate cap and additional regulation, pay-phone owners are looking for concessions from lawmakers and the PUC. The agency is charged with making the rules to implement

the legislation.

About 9 percent of Texas households don't have phones, compared with the national average of 5 percent. The pay-phone issue is yet another example of the battle between business and government over the interests of poor Texans. In the earlier cases, the Legislature acted to mediate economic discrimination. The PUC should follow suit with pay phones.

***It appears
unnecessarily
punitive, however,
to expect poor
people who rely on
pay phones to pay
\$1 for two phone
calls.***

Fort Worth Star-Telegram

FRIDAY, OCTOBER 20, 1995

Fort Worth, Texas ★ Where The West Begins

50¢

Price of call from pay phone could rise to 50 cents for Texans

Phone company spokesmen say higher revenues are overdue, but a lawmaker calls the idea insensitive to the poor.

BY CARLOS SANCHEZ
Fort Worth Star-Telegram Austin Bureau

AUSTIN — Texans could soon be paying as much as 50 cents for local pay phone service under a proposal filed yesterday with state regulators.

The Texas Payphone Association, Southwestern Bell and GTE Communications asked the Public Utility Commission to raise a proposed rate cap to 50 cents for local

pay phone calls.

A consumer group said the increase would give Texas one of the highest pay phone rates in the country, and a lawmaker criticized the proposal as insensitive to low-income families.

The proposal is a response to recommendations by the commission's staff that Texas impose its first rate cap at the current 25 cents.

The three telephone groups say the state's 154,000 pay telephones are no longer profitable with 25-cent calls.

If the PUC does not raise the cap to 50 cents, the groups said, providers may remove up to 20 percent of the state's pay phones to save money.

"Consumers have had the 25-cent call since 1975," said David W. Madden, executive director of the Texas Payphone As-

sociation. "But our costs have gone up during that 20-year span. In most places, it costs close to 50 cents to process a call, and in some places it costs as much as 90 cents."

The plan filed by the three groups yesterday does not mean that all pay phone calls would automatically increase to 50 cents. They would rise to whatever levels the market would bear up to 50 cents, officials from
(More on PHONES on Page 20)

Phones

From Page 1

the three groups said.

The cap is one of several new rules being implemented by the three-member PUC in response to changes in utility law. Also, for the first time, pay phone operators must register the location of each

of their phones.

And, for the first time, people will have to pay 25 cents for dialing toll-free or "800" numbers that are not emergencies or that do not access long-distance carriers, state laws says.

The PUC is expected to consider these rules in mid- to late November.

Traditionally, service providers have subsidized local calls with profits from long-distance service.

But long-distance competition, in which customers can choose a carrier with each phone call, has reduced revenues, Madden said.

In addition, Madden said, people in smaller communities who had to pay long-distance charges for calls to nearby communities have been successfully petitioning the PUC during the past two years to expand local calling service.

In more than 600 cases, the PUC has agreed, shrinking the number

of long distance-calls made from pay phones, Madden said.

Sen. Rodney Ellis, D-Houston, called on the PUC to reject the industry proposal.

"A pay phone is the only phone many Texans have," he said.

Ellis and a representative of Consumers Union said Texas has one of the largest phoneless populations in the country. A study this year by the LBJ School of Public Affairs determined that 91.5 per-

cent of Texans have telephone service, lower than the national average of 93.8 percent.

Lodis Rhodes, a public policy professor who directed the study, said that less than 80 percent of those living in some rural and poor areas of South and West Texas have phones.

"The public interest demands that local coin calls remain affordable," said Janee Briesemeister of

Consumers Union.

Curtis Hopfinger, a district manager for Southwestern Bell, said two other states — Kentucky and South Carolina — have rate caps of \$1, although pay phone service in those states actually costs much less.

Ten states allow pay phone charges by the minute, and six states allow a flat charge of 35 cents.

CITY&STATE

State & Local

Weather, 43A
Deaths, 44A
Editorials, 46A

You may need 2 quarters to call someone who cares

By ROSS RAMSEY
Houston Chronicle Austin Bureau

AUSTIN — The one-coin public telephone could go the way of rotary dialing if Texas regulators go along with the state's pay phone operators.

In written comments filed Thursday with the Public Utility Commission, the Texas Payphone Association, Southwestern Bell Telephone Co. and GTE Southwest have proposed raising the price ceiling on those calls to 50 cents. Those calls currently cost 25 cents in most parts of Texas, although you can still call for a dime in scattered outposts,

Groups request hike in pay phone rates

including Fort Bend County.

The PUC staff has recommended maintaining the cap at 25 cents, and has won support for that position from Consumers Union, an advocacy group that publishes Consumer Reports magazine, and from state Sen. Rodney Ellis, D-Houston. Ellis knocked down a proposed law that would have allowed pay phone operators to charge 25 cents for every five minutes callers spend on the phone. In a letter to the PUC, he said his purpose "was to ensure that coin calls from pay phones did not in-

crease in price."

Both he and Consumers Union are also asking the commission to clear up the rule so that rates don't jump to a quarter in areas where calls now cost a dime.

"Pay telephones are the lifeline for many lower income Texans," said Janee Briesemeister with Consumers Union. "The public interest demands that local coin calls remain affordable."

But the phone companies say they are losing money on many of their

local calls. The average local call costs about 40 cents, said Curt Hopfinger, a district manager with Southwestern Bell. On pay phones in some locations, they make extra money that subsidizes the losses, but competition, he said, is cutting into that income. The overall business is profitable, but some of the locations are losing money.

"We are losing subsidies on those pay phones, mainly because of competition in the pay phone industry and in the long distance industry," he said. Southwestern Bell, which has about 86,000 pay phones in the state,

See PHONES on Page 45A.

Phones

Continued from Page 33A.

accounts for nearly 70 percent of the business in Texas, Hopfinger said.

The Texas Payphone Association, which represents many of the smaller operators in the business, claims more than half of the calls made from pay phones don't generate any income at all for the owner of the phone. Without higher rates to subsidize some of those losses, various companies would consider abandoning 10 to 30 percent of their current sites, the association said in its comments to the PUC.

Some locations are more prof-

itable than others. People are in airports all the time, for instance, but only get into the Astrodome once a week. In schools and other locations, there might be other reasons to keep rates low. The company would go location by location, Hopfinger said.

"One of the things we want to make clear is that the 50-cent cap doesn't mean that the next day we'll go to 50 cents," he said.

"We're not out there to stick it to the general public," Hopfinger said. "It's such a competitive environment out there, we're not going to win if we tick off the public."

Thursday was the deadline for the companies to make comments. The proposed rules will go to the full three-member PUC later this year.

State telephone industry wants more coins per call

By BRUCE HIGHT OCT 20 1985

American-Statesman Staff

AUSTIN AMERICAN STATESMAN

Got another quarter?

The Texas telephone industry wants to double the price of a local pay phone call to 50 cents — the highest regulated rate in the nation.

In comments submitted to the Public Utility Commission on Thursday, industry officials said the increase was needed because its pay phones, which take in about \$150 million a year, are losing money.

Southwestern Bell Telephone Co. told the commission that its 25-cent rate has been in effect since 1979, when the cost of a Coca-Cola from a vending machine typically was 35 cents. The telephone call is still 25 cents, the company said, but the Coke often costs 60 cents or more.

Figures from the National Association of Regulatory Utility Commissioners indicate the highest regulated rate in the nation is 35 cents in several states, but a few states no longer cap the charge for a local pay phone call. No figures were available for deregulated states.

Southwestern Bell, the state's largest telephone company, GTE Southwest Inc., the second largest, and the Texas Payphone Association, which represents private owners of pay phones, proposed the increase in connection with new rules extending some regulation to private pay phone services. The Legislature ordered the limited regulation after hearing complaints of exorbitant charges for such services as credit card and operator-assisted calls.

The PUC staff favors keeping the 25-cent charge, and the three commissioners are expected to consider the issue in November, spokeswoman Leslie Kjellstrand said.

The industry's proposal was attacked by Janice Briesemeister of Consumers Union, a watchdog group with a regional office in Austin. "Pay telephones are the

lifeline for many lower-income Texans," she said. "The public interest demands that local coin calls remain affordable."

Southwestern Bell said the commission should consider such steps as charging only 25 cents for pay phone calls in public housing projects to "ensure a favored rate for the needy instead of a subsidized rate for all, as the present system requires."

Also, it said, the industry is competitive. If pay phone owners could charge 50 cents, they probably would put out more pay phones, Southwestern Bell said. While a coin call costs Southwestern Bell about 40 cents, the company said, competition could force it to keep the charge less than 50 cents at some pay phones even if the PUC raises the cap.

Briesemeister said the fact that the state's two biggest regulated telephone companies were proposing the same increase as the trade association representing the private pay phone owners suggested collusion, not competition.

Southwestern Bell has the most pay phones with 86,000. Other local, regulated telephone companies have about 30,000, and the remaining 38,000 are owned by private, unregulated companies that cannot charge more than a local telephone company.

Southwestern Bell told the commission it has removed more than 6,000 pay phones over the past two years because they were uneconomical. As many as 30,000 more might be removed if the charge for local calls does not rise, the company said.

The industry said that pay phones increasingly are losing money. Toll revenues from long-distance calls are shrinking because of the increased use of 800 numbers and the expansion of local calling areas, the industry said.

The Legislature provided some relief by allowing a 25-cent charge for 800 calls, except to long-distance providers.

But the Texas Payphone Association, which represents private owners of pay phones, said in its brief that its members lose money on 25-cent local coin calls and would lose money on some pay phones even with 50-cent calls. It said it had details it could provide the commission on losses, but only if they were kept confidential.

Lower cap suggested for pay-phone calls

LUSBOCK AVALANCHE-JOURNAL

Local calls could cost 50 cents

By MARY ALICE ROBBINS

Morris News Service

OCT 20 1985

AUSTIN - The pay-telephone industry asked the Public Utility Commission on Thursday to cap the rate for local coin calls at 50 cents, but Consumers Union urged that a 25-cent limit be set on those calls.

Jane Briesemeister, senior policy analyst for the Southwest Regional Office of Consumers Union, said Texas has a very large percentage of families who don't have phones in their homes.

The phone subscriber rate is about 92 percent in Lubbock, but is about 85.6 percent in places such as Harlingen, where there is a large low-income population, she said.

"Pay telephones are the lifeline for many lower income Texans," Briesemeister said. "The public interest demands that local coin calls remain affordable."

Briesemeister said the commission should not increase the pay-phone rates without going through a complete rate proceeding.

"It's a 100-percent rate increase for pay-phone users," she said. "In fact, for some areas of the state that have a 10-cent rate, that would be a 500-percent rate increase."

According to Briesemeister, the pay-phone industry originally sought a maximum local coin rate of \$1.50 during the legislative session earlier this year. She said the industry settled on a 50-cent cap, but the provision

was deleted from the telecommunications bill by its sponsor, Sen. Rodney Ellis, D-Houston, during committee deliberations.

Ellis' bill became effective Sept. 1, and the utility commission is writing rules to implement the new law.

The PUC staff has recommended a 25-cent cap on the local coin calls, said Leslie Kjellstrand, spokeswoman for the agency. The three-member commission could consider the issue sometime next month, she said.

The Texas Payphone Association and Southwestern Bell filed written comments Thursday, asking commissioners to set the cap at 50 cents.

Curtis Hopfinger, Southwestern Bell's district manager of rate administration, said the new telecommunications law categorizes pay phones as a competitive service.

The law says competitive services have to be priced above what it costs to provide the service, he said.

"Twenty-five cents does not recover the cost to place a local call," Hopfinger said.

According to Hopfinger, local pay-phone calls have been subsidized in the past by other revenue-producing services - such as long-distance calls on pay phones.

But Southwestern Bell's revenue from the long-distance pay-phone service has dropped by an estimated 30 percent in the past 18 months, he said.

Poor people become key issue in pay-phone rate proposal

By BRUCE HIGHT NOV 01 1995
American-Statesman Staff

AUSTIN AMERICAN STATESMAN

The nation's telecommunications network does not reach into the apartment of Anissa Foley, 23. Instead, she taps into the network across the street, outside Al's Food Store at 3503 Webberville Road.

Every day Foley, a single mother rearing three children, leaves her housing authority apartment, crosses Webberville Road and goes to one of two pay phones mounted on metal pedestals outside Al's.

On a good day, the weather is cool and bright and there's no wait. On a bad day, rain falls and the air is too hot or too cold, and she waits.

She deposits a quarter into the pay phone and places her call — to family, friends, the day-care center or her employer, a group home that cares for disabled men. Foley makes about four such calls a day, paying for her telecommunications needs one quarter at a time.

The telephone industry, however, has asked the Public Utility Commission for permission to charge up to 50 cents for a local call. The pay-phone owners, who took in about \$150 million last year, also want to charge 25 cents for 800 and

free. The PUC is expected to rule in late January or early February.

The industry cannot afford to collect just 25 cents for calls that cost 47 cents, or to give away local calls for 800 numbers and credit cards, said Dave Madden, executive director of the Texas Payphone Association. The association represents 300 private owners of pay phones.

Foley is mostly resigned to paying more. "If I had to afford it, I could," she shrugged.

The \$1 a day Foley pays for calls would easily cover the monthly price of residential service, which is \$12.85. Foley used to have a phone, but she said it was removed after a brother ran up the bills making collect calls to her home.

Foley's concern about out-of-control phone bills is common among phoneless, low-income households, according to a study released this year by the Lyndon B. Johnson School of Public Affairs at the University of Texas. The study was based on a survey of 172 phoneless Texans, 70 percent of them from rural areas.

More than 85 percent had monthly incomes of less than \$1,200.

Sixty percent said they didn't have a phone because they were concerned about running up long-distance charges. The other 40 percent said they could not afford a phone.

The survey findings suggest that raising the charge for a local pay-phone call to 50 cents would only "marginally" affect most poor people without phones, said John Horrigan, a research associate who helped conduct the study. Many of them, he said, use the home telephones of neighbors and relatives.

But the Office of Public Utility Counsel, a state agency charged with representing consumers, called the proposed increase "anti-consumer, unreasonable (and) unsupported by information." It also said the increase "would disproportionately affect the poor, those consumers who can least likely afford an increase in pay-phone rates."

Jane Briesemeister of Consumers Union's southwest regional office in Austin said "pay telephones are the lifeline for many lower-income Texans."

Like Consumers Union, the PUC staff favors keeping the current 25-cent charge for local calls. In its suggested new pay-phone rules released Sept. 19, the PUC staff left intact the current 25-cent cap on local calls.

Many phoneless homes

Texas has more phoneless households, 523,000, than any other state. About 9 percent of the state's homes don't have telephones, compared with the national average of about 5 percent, according to the U.S. Census Bureau. Horrigan said the large rural population of the state and laws in other states that make it harder to disconnect phones probably explain why.

Census figures show that most phoneless households are in poor areas. In some of Austin's poorest neighborhoods, for example, about four in 10 homes don't have phones.

Jack Schmitt, co-owner of Austin Payphones, which has 400 phones, said the pay phones that take in the most money "are usually in East Austin near a housing project."

Jon Loehman, a regulatory official with Southwestern Bell Telephone Co., agreed. "You're going to find very few pay phones in upscale residential areas and more of them in low-income areas," he said.

There are about 154,000 pay phones in Texas; Southwestern Bell owns more than half of them.

Defending the increase

Industry officials and comments filed with the PUC by the Payphone Association, Southwestern Bell and GTE Southwest Inc. say the first increase in a local call since 1979, when it was 10 cents, is justified.

Local calls on pay phones have never paid for themselves, but were subsidized by profits from long-distance calls made from pay phones, Madden said. Local telephone companies such as Southwestern Bell also could subsidize pay phones with earnings from monthly rates charged to residential and business customers, Madden said.

But a law enacted by the Legislature in 1993 has cut into long-distance revenues, the industry says. The law makes it easier for communities to ask the PUC to expand the area in which residents can make local calls by paying an additional monthly fee of no more than \$3.50. When a petition is granted,

pay phones have to honor the expanded local calling area, said Leslie Kjellstrand, a spokeswoman for the PUC.

PUC figures show that 238 petitions were filed in fiscal year 1994, 248 in fiscal 1995 and 64 so far for this fiscal year, which began Sept. 1. Although she did not have figures on how many petitions are approved, Kjellstrand said the PUC is "aware that pay phones are losing some money on this account."

Southwestern Bell said it has removed more than 6,000 pay phones during the past two years and would remove as many as 30,000 more if it cannot charge more for local calls.

Long-distance rates

There's a flip side, Madden acknowledged. Some owners of pay phones have hit customers with outrageous long-distance charges, such as \$7 for a one-minute call. Moreover, a 1993 survey in Austin by the PUC found that nearly four of every 10 privately owned pay phones denied customers access to their long-distance company.

Under pressure from the Legislature this year, the private payphone industry made some concessions and asked for help from legislators. The industry agreed to cap its long-distance rates at levels about 40 percent below what typically had been charged. Now, Madden said, the cost of a long-distance call from a pay phone cannot be more than \$4.20 for the first minute and 29 cents for each additional minute. (Some are much less. Austin Payphones advertises 25 cents a minute to "anyplace in the U.S.A.")

The industry also accepted additional regulation by the PUC. Beginning in 1996, owners will have to register the location of their pay phones with the PUC, making it easier to track complaints, and the PUC can shut down a pay phone for violations such as overcharg-

ing for calls.

In exchange, the industry wanted to charge more for local calls, but the Legislature left that issue to the PUC. Lawmakers did say that the industry could charge 25 cents for an 800 call, except for those to long-distance providers. The PUC is preparing rules to implement the legislation and must act by March 19.

Consumer skepticism

Consumer groups aren't buying the industry's position that it's losing money on pay phones.

Briesemeister, who specializes in utility issues for Consumers Union, is skeptical about industry claims that it needs to charge more. Southwestern Bell's standard residential and business rates have not gone up since 1984, and the company has agreed to cap its rates for another four years to free itself of limits on its profits, and that suggests industry costs have fallen, not risen, she said.

But, Briesemeister said, she cannot say the owners of pay phones are lying: "There's no way for me to know that because (their financial) information is confidential," she said.

Schmitt, co-owner and sales manager of Austin Payphones, said it costs about \$1,500 to install a pay phone and about \$60 a month for the telephone line. Commissions to the property owner can vary from 20 percent to 30 percent. Schmitt and Madden say. Sales taxes also must be paid.

The industry, Briesemeister noted, has suggested charging only a quarter at key sites such as schools and housing projects. But that begs a question, she said: "Who's going to require anyone to put a phone in those locations?"

Although Foley, the single mother on Webberville Road, could absorb the increase, she said, "I think it stinks."

PUC mulls raising pay-phone rates; consumers yelp

AMERICAN DAILY NEWS OCT 20 1985

By **MARY ALICE ROBBINS**
Morris News Service

AUSTIN — The pay telephone industry asked the Public Utility Commission on Thursday to cap the rate for local coin calls at 50 cents, but Consumers Union urged that a 25-cent limit be set on those calls.

Jane Briesemeister, senior policy analyst for the Southwest Regional Office of Consumers Union, said Texas has a very large percentage of families who don't have phones in their homes. The phone subscriber rate is 91.5 percent in Texas, but it's only about 85.6 percent in places like Harlingen, where there is a large low-income population, she said.

"Pay telephones are the lifeline for many lower income Texans," Briesemeister said. "The public interest demands that local coin calls remain affordable."

Briesemeister said the commission should not increase the pay phone rates without going through a complete rate proceeding.

"It's a 100 percent rate increase for pay phone users," she said. "In fact, for some areas of the state that have a 10-cent rate, that would be a 500 percent rate increase."

According to Briesemeister, the pay phone industry originally sought a maximum local coin rate of \$1.50 during the legislative session earlier

this year. She said the industry settled on a 50-cent cap, but the provision was deleted from the telecommunications bill by its sponsor, Sen. Rodney Ellis, D-Houston, during committee deliberations.

Ellis' bill became effective Sept. 1, and the utility commission is writing rules to implement the new law.

The PUC staff has recommended a 25-cent cap on the local coin calls, said Leslie Kjellstrand, spokeswoman for the agency. The three-member commission could consider the issue sometime next month, she said.

The Texas Payphone Association and Southwestern Bell filed written comments Thursday, asking commissioners to set the cap at 50 cents.

Curtis Hopfinger, Southwestern Bell's district manager of rate administration, said the new telecommunications law categorizes pay phones as a competitive service. The law says competitive services have to be priced above what it costs to provide the service, he said.

According to Hopfinger, local pay phone calls have been subsidized in the past by other revenue-producing services — such as long-distance calls on pay phones. But Southwestern Bell's revenue from the long-distance pay phone service has dropped by an estimated 30 percent in the past 18 months, he said.

Pay phone use may get more

ARLINGTON REPORTER NEWS OCT 20 1995

expensive

Texans could find the cost of calling on local pay phones costing a bit more under a proposal that's been filed with the Public Utility Commission.

Two bits more to be exact.

Telephone groups say the state's 154,000 pay phones just aren't making enough profit at 25 cents per call — and they want to hike that by another two bits.

Bits, you remember, equal one-eighth of a dollar. That's where they got that old cheer "Two bits, four bits, six bits, a dollar. All for (whatever team) stand up and holler."



Steve Ray
Capitol Comments

Under the proposal by the Texas Payphone Association, Southwestern Bell and GTE Communications, it may be the Texas consumer who decides to holler.

If the proposal is approved, it could cost 50 cents to use a pay phone. If it isn't OK'd, phone companies are threatening to get rid of up to 20 percent of the state's pay phones to save money.

Either way, thousands of Texans could be affected.

Most Texans have phone service — 91.5 percent according to a study by the LBJ School of Public Affairs. But for many poorer Texans, pay phones are the only way they have to make calls for important appointments, to talk to friends and get information.

Now 91.5 percent may sound

like a lot of folks have phones. But it's below the national average of 93.8 percent and in some parts of rural Texas and in poorer areas of South and West Texas, less than 80 percent of Texans have telephones.

"Pay telephones are the lifeline for many lower-income Texans," said Janee Briesemeister of Consumer's Union. "The public interest demands that local coin calls remain affordable."

Phone companies say they are losing money on many of their local calls from pay phones. They say the average local call costs about 40 cents and busy pay phones are having to subsidize the losses from those where fewer calls are made.

Phone companies usually subsidize local calls with profits they make on long-distance service. Now they say, increased competition by companies providing long-distance service is cutting pay phone profits.

And they promise that a 50-cent cap doesn't necessarily mean all pay phones will go up that high. In fact, some even said they

would consider accepting a rule that would keep pay phones at housing projects at 25 cents.

"We're not out there to stick it to the general public," Southwestern Bell District Manager Curt Hopfinger said last week. "It's such a competitive environment out there, we're not going to win if we tick off the public."

Whatever the decision, it will be put on hold until later this year. That's when the Public Utility Commissioners will decide about the new rules that go into place.

Southwestern Bell — which has

the most pay phones statewide with 86,000 — told the commission it has removed more than 6,000 pay phones over the past two years because they weren't making enough profit.

If they don't get to hike pay phone prices — that number could jump to 30,000 more because of shrinking revenues.

If the telephone companies get the price hike, it will hurt consumer pocketbooks. If they don't, consumers may find themselves trying to call on a pay phone during an emergency, only to find the line has been disconnected.

□ □ □

Steve Ray is the capital bureau chief for Harte-Hanks Newspapers in Austin.

You may need 2 quarters to call someone who cares

SET 20 1985

By ROSS RAMSEY

Houston Chronicle Austin Bureau

HOUSTON CHRONICLE

AUSTIN - The one-coin public telephone could go the way of rotary dialing if Texas regulators go along with the state's pay phone operators.

In written comments filed Thursday with the Public Utility Commission, the Texas Payphone Association, Southwestern Bell Telephone Co. and GTE Southwest have proposed raising the price ceiling on those calls to 50 cents. Those calls currently cost 25 cents in most parts of Texas, although you can still call for a dime in scattered outposts, including Fort Bend County.

The PUC staff has recommended maintaining the cap at 25 cents, and has won support for that position from Consumers Union, an advocacy group that publishes Consumer Reports magazine, and from state Sen. Rodney Ellis, D-Houston. Ellis knocked down a proposed law that would have allowed pay phone operators to charge 25 cents for every five minutes callers spend on the phone. In a letter to the PUC, he said his purpose "was to ensure that coin calls from pay phones did not in-

crease in price."

Both he and Consumers Union are also asking the commission to clear up the rule so that rates don't jump to a quarter in areas where calls now cost a dime.

"Pay telephones are the lifeline for many lower income Texans," said Janee Briesemeister with Consumers Union. "The public interest demands that local coin calls remain affordable."

But the phone companies say they are losing money on many of their local calls. The average local call costs about 40 cents, said Curt Hopfinger, a district manager with Southwestern Bell. On pay phones in some locations, they make extra money that subsidizes the losses, but competition, he said, is cutting into that income. The overall business is profitable, but some of the locations are losing money.

"We are losing subsidies on those pay phones, mainly because of competition in the pay phone industry and in the long distance industry," he said. Southwestern Bell, which has about 86,000 pay phones in the state,

accounts for nearly 70 percent of the business in Texas, Hopfinger said.

The Texas Payphone Association, which represents many of the smaller operators in the business, claims more than half of the calls made from pay phones don't generate any income at all for the owner of the phone. Without higher rates to subsidize some of those losses, various companies would consider abandoning 10 to 30 percent of their current sites, the association said in its comments to the PUC.

Some locations are more prof-

itable than others. People are in airports all the time, for instance, but only get into the Astrodome once a week. In schools and other locations, there might be other reasons to keep rates low. The company would go location by location, Hopfinger said.

"One of the things we want to make clear is that the 50-cent cap doesn't mean that the next day we'll go to 50 cents," he said.

"We're not out there to stick it to the general public," Hopfinger said. "It's such a competitive environment out there, we're not going to win if we tick off the public."

Thursday was the deadline for the companies to make comments. The proposed rules will go to the full three-member PUC later this year.

Price of call from pay phone could rise to 50 cents for Texans

FT. WORTH STAR TELEGRAM OCT 20 1985
BY CARLOS SANCHEZ
Fort Worth Star-Telegram Austin Bureau

AUSTIN — Texans could soon be paying as much as 50 cents for local pay phone service under a proposal filed yesterday with state regulators.

The Texas Payphone Association, Southwestern Bell and GTE Communications asked the Public Utility Commission to raise a proposed rate cap to 50 cents for local pay phone calls.

A consumer group said the increase would give Texas one of the highest pay phone rates in the country, and a lawmaker criticized the proposal as insensitive to low-income families.

The proposal is a response to recommendations by the commission's staff that Texas impose its first rate cap at the current 25 cents.

The three telephone groups say the state's 154,000 pay telephones are no longer profitable with 25-cent calls.

If the PUC does not raise the cap to 50 cents, the groups said, providers may remove up to 20 percent of the state's pay phones to save money.

"Consumers have had the 25-cent call since 1975," said David W. Madden, executive director of the Texas Payphone Association. "But our costs have gone up during that 20-year span. In most places, it costs close to 50 cents to process a call, and in some places it costs as much as 90 cents."

The plan filed by the three groups yesterday does not mean that all pay phone calls would automatically increase to 50 cents. They would rise to whatever levels the market would bear up to 50 cents, officials from the three groups said.

The cap is one of several new rules being implemented by the three-member PUC in response to changes in utility law. Also, for the first time, pay phone operators must register the location of each of their phones.

And, for the first time, people will have to pay 25 cents for dialing toll-free or "800" numbers that are not emergencies or that do not access long-distance carriers, state law says.

The PUC is expected to consider these rules in mid- to late November.

Traditionally, service providers have subsidized local calls with profits from long-distance service.

But long-distance competition, in which customers can choose a carrier with each phone call, has reduced revenues, Madden said.

In addition, Madden said, people in smaller communities who had to pay long-distance charges for calls to nearby communities have been successfully petitioning the PUC during the past two years to expand local calling service.

In more than 600 cases, the PUC has agreed, shrinking the number

of long distance-calls made from pay phones, Madden said.

Sen. Rodney Ellis, D-Houston, called on the PUC to reject the industry proposal.

"A pay phone is the only phone many Texans have," he said.

Ellis and a representative of Consumers Union said Texas has one of the largest phoneless populations in the country. A study this year by the LBJ School of Public Affairs determined that 91.5 percent of Texans have telephone service, lower than the national average of 93.8 percent.

Lodis Rhodes, a public policy professor who directed the study, said that less than 80 percent of

those living in some rural and poor areas of South and West Texas have phones.

"The public interest demands that local coin calls remain affordable," said Janee Briesemeister of Consumers Union.

Curtis Hopfinger, a district manager for Southwestern Bell, said two other states — Kentucky and South Carolina — have rate caps of \$1, although pay phone service in those states actually costs much less.

Ten states allow pay phone charges by the minute, and six states allow a flat charge of 35 cents.

Council awards S.A. firm pay phone contract

San Pedro approved as the city's sixth corridor district

By JOEL WILLIAMS

EXPRESS-NEWS STAFF WRITER

The little guy won Thursday in a battle between San Antonio-based U.S. Long Distance and phone industry giant AT&T.

City Council awarded USLD a contract to handle long-distance calls from pay phones on city property, if the caller does not designate another company.

That means the local company will handle calls from 538 coin-operated telephones at places such as the airport, Convention Center and Alamodome. It was the first such contract the company has pursued with a city.

In other business Thursday, the council designated San Pedro Avenue between Interstate 35 and Ashby Place as the city's sixth Urban Corridor District. The designation calls for new restrictions on billboards, curb cuts and building setbacks in the inner-city zone struggling with urban decay.

Regarding the long-distance contract, Parris "Butch" Holmes Jr., the chairman and chief executive of USLD, said although the three-year contract will not bring the company huge amounts of money, its symbolism is important.

"It continues to further our credibility in the business community," Holmes said.

The company has grown from 12 employees in 1988 to about 1,200 today, including some 900 working in San Antonio. It projects revenues of \$250 million to \$260 million in 1996.

AT&T was the only other competitor seeking the city contract. AT&T has held the contract with the city since 1988, when a federal ruling said cities must designate a "default carrier" for pay phones on city property and rights of way.

More than 100 USLD employees wearing white T-shirts with the company logo created a pep-rally atmosphere in the City Council chamber Thursday and cheered

when their company won the contract.

Cheering for AT&T on the other side of the room were about 20 AT&T employees, wearing red Communications Workers of America T-shirts. Council members praised both sides for getting involved in the public debate.

City staff had recommended giving the contract to USLD, in part because the company will be paying the city nearly \$200,000 more than AT&T proposed.

Mayor Bill Thornton said he supported USLD because of the staff recommendation, not because USLD is from San Antonio, but commented: "I can't tell you how proud I am that staff recommendation was for a local company."

Several other council members

also noted the local connection before casting the unanimous vote for USLD.

Brenda Cunningham, USLD's human resources director, said it would give a tremendous morale boost to employees of the underdog company "to walk through our own airport" and see the company's name on pay phones.

"This is an opportunity to show our families, our friends what we can do," she said.

AT&T representatives were not available for comment after Thursday's vote.

Under the contract, USLD will pay the city at least \$1.1 million in commissions over three years, and more if long distance sales at city pay telephones exceed \$875,000 in a year.

AT&T had proposed paying the city a minimum of \$924,000 over three years.

"It makes a statement that competition does work," Holmes said. "It makes a statement that USLD has come a long way in the long distance industry."

Among other business, the council:

■ Accepted a \$2.8 million grant from the Federal Aviation Administration to help provide noise insulation for churches, nursing homes and a library near San Antonio International Airport.

■ Presented to the family of Police Officer Michael C. McInnis who was killed in a traffic accident last month while on duty, certificate recognizing his contribution to the community.